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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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BOARD OF PUBLIC UTILITIES
TRENTON, NJ



August 23, 2019

In The Matter of the Petition of
Public Service Electric and Gas Company
for Approval of The Second Energy Strong Program
(Energy Strong II)

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AUG 26 2019

BPU Docket Nos. EO18060629 and GO18060630

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

VIA ELECTRONIC & OVERNIGHT MAIL

Aida Camacho-Welch, Secretary
Board of Public Utilities
44 South Clinton Avenue, 3rd Flr.
P.O. Box 350
Trenton, New Jersey 08625-0350
Attn.: President Joseph Fiordaliso

Dear President Fiordaliso:

Attached please find the fully executed Stipulation (of which 10 copies are enclosed) in the above-referenced matter resolving all aspects of this matter. All the parties have signed the Stipulation: Public Service Electric and Gas Company, the Staff of the New Jersey Board of Public Utilities, the New Jersey Division of Rate Counsel, New Jersey Large Energy Users Coalition and AARP, Inc.

If you have any questions, please do not hesitate to contact me. Thank you for your consideration in this matter.

Respectfully submitted,

Attach.

C Attached Service List (E-Mail) ✓

Case mgmt

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01/22/2019

Public Service Electric and Gas Company
Energy Strong II
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Energy Strong II
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Public Service Electric and Gas Company
Energy Strong II
EO18060629 and GO18060630

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CASE MANAGEMENT

AUG 26 2019

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
TRENTON, NJ

IN THE MATTER OF THE PETITION OF)
PUBLIC SERVICE ELECTRIC AND GAS)
COMPANY FOR APPROVAL OF THE)
SECOND ENERGY STRONG PROGRAM)
(ENERGY STRONG II))

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AUG 26 2019

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

PETITION
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EO18060629 and GO18060630

STIPULATION OF SETTLEMENT AND AGREEMENT

APPEARANCES:

Joseph F. Accardo Jr., Esq., VP Regulatory & Deputy General Counsel, **Matthew M. Weissman, Esq.**, General State Regulatory Counsel, and **Danielle Lopez, Esq.**, Assistant General Regulatory Counsel, for the Petitioner, Public Service Electric and Gas Company

Stefanie A. Brand, Esq., Director, **Brian O. Lipman, Esq.**, Litigation Manager, **Felicia Thomas-Friel, Esq.**, Managing Attorney-Gas, **Ami Morita, Esq.**, Managing Attorney-Electric, **Henry M. Ogden, Esq.**, Assistant Deputy Rate Counsel, **Kurt S. Lewandowski, Esq.**, Assistant Deputy Rate Counsel, **James W. Glassen, Esq.**, Assistant Deputy Rate Counsel, and **Maura Caroselli, Esq.**, Assistant Deputy Rate Counsel for the New Jersey Division of Rate Counsel

Emma Yao Xiao, Esq., Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (**Gurbir S. Grewal, Esq.**, Attorney General of New Jersey)

Janine G. Bauer, Esq., Szaferman, Lakind, Blumstein, & Blader, P.C., for AARP, Inc.

Steven S. Goldenberg, Esq., Giordano, Halleran & Ciesla, P.A., and **Paul F. Forshay, Esq.**, Eversheds-Sutherland, LLP, for New Jersey Large Energy Users Coalition

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

It is hereby AGREED, by and between Public Service Electric and Gas Company ("Public Service", "PSE&G" or the "Company"), the Staff of the New Jersey Board of Public Utilities ("Board Staff"), the New Jersey Division of Rate Counsel ("Rate Counsel"), and the undersigned intervenors (collectively the "Parties" or the "Signatories"), to execute this Stipulation of Settlement and Agreement resolving PSE&G's Petition in this docket and to join in recommending that the Board issue a Final Decision and Order approving this Stipulation of Settlement and Agreement ("Stipulation").

BACKGROUND

1. On June 8, 2018, the Company filed a petition with the New Jersey Board of Public Utilities (the "Board") seeking approval of the Energy Strong II Program ("ES II" or "Program") and associated cost recovery mechanism for a five (5) year period. The Company asserts that the Program builds upon the Energy Strong Program ("Energy Strong" or "ES I") which was approved by a Board order dated May 21, 2014 in BPU Docket Nos. EO13020155 and GO13020156 ("Energy Strong Order"). The Company claims that the Program is also designed to comply with the Board's rules on Infrastructure Investment Programs ("IIPs"), N.J.A.C. 14:3-2A.

2. The petition states that the ES II proposed infrastructure investments would enhance safety, reliability, and/or resiliency through four (4) electric and two (2) gas subprograms. The Program proposed an estimated investment of \$1.503 billion in electric infrastructure over five (5) years, and \$0.999 billion in gas infrastructure over five (5) years, with cost recovery consistent with the cost recovery for electric investments in ES I.

3. On July 25, 2018, the Board issued an Order designating Board President Joseph L. Fiordaliso as the presiding officer in the matter to rule on all motions that arise during the pendency of the proceeding, establish and modify any schedules that may be set as necessary, and to conduct public and evidentiary hearings.

4. By way of Order dated November 30, 2018, President Fiordaliso issued a procedural schedule and ruled on Motions to Intervene or Participate in the proceeding. Intervention status was granted to the New Jersey Large Energy Users Coalition ("NJLEUC") and AARP, Inc. ("AARP"). Participant status was accorded to the following: Jersey Central Power and Light Company ("JCP&L"); Local Union 94 of the International Brotherhood of

Electrical Workers ("IBEW"); Ferreira Construction Company, Inc.; Henkels & McCoy, Inc. ("H&M"); Joseph Jingoli & Son, Inc. ("Jingoli"); Creamer-Sanzari Joint Venture; New Jersey Laborers-Employers Cooperation and Education Trust ("NJLECET"); the Engineers Labor-Employment Cooperative ("ELEC"); Waters and Bugbee, Inc. ("W&B"); and Environment New Jersey ("ENJ") and the New Jersey Conservation Foundation ("NJCF").

5. Public hearings were held at 4 p.m. and 5:30 p.m. in Hackensack, New Jersey on January 7, 2019; Mt. Holly, New Jersey on January 8, 2019; and in New Brunswick, New Jersey on January 9, 2019. A variety of comments were received at each of these hearings as reflected in their respective transcripts.

6. Pursuant to the procedural schedule issued by President Fiordaliso, the Parties engaged in substantial discovery.

7. The Parties and participants to this case met on several occasions to facilitate further information gathering, including at a technical conference held on January 22, 2019.

8. Settlement conferences were held on February 13, 19, 21, and 25, 2019.

9. By way of Order dated February 26, 2019, the Board amended the procedural schedule allotting for further settlement conferences between the parties, and setting evidentiary hearings for June 10, 11, 14, and 17, 2019.

10. On March 1, 2019 Rate Counsel submitted pre-filed direct testimony, with the Company filing its rebuttal testimony thereafter on April 18, 2019.

11. Additional settlement conferences were held on April 15 and May 21, 2019.

12. Since the parties were unable to come to a resolution of the matter, evidentiary hearings were held before President Fiordaliso on June 10, 11, 14, and 17, 2019.

13. Settlement efforts continued in parallel with the evidentiary hearings as well as throughout the initial post-hearing briefing period.

14. During the evidentiary hearings, the Parties requested that President Fiordaliso extend the deadline for the filing of Initial Briefs in order to provide the parties with additional time to explore amicable resolution of the matter.

15. On July 16, 2019, the Parties notified the Board that the Parties reached an agreement in principle and requested that President Fiordaliso grant a suspension of the briefing schedule pending a final agreement.

16. The Signatories have reached an agreement resolving all issues in the instant proceeding.

17. In light of the foregoing, the Signatories agreed to submit this Stipulation of Settlement and Agreement, the terms of which are set forth below. Specifically, the Signatories hereby STIPULATE AND AGREE to the following:

STIPULATED MATTERS

18. The Signatories agree that, subject to Board approval of this Stipulation of Settlement and Agreement, PSE&G may implement ES II under the terms and conditions described herein. The Program will include investment in PSE&G's electric and gas distribution systems, an accelerated rate recovery mechanism ("ES II Rate Mechanism"), including scheduled rate adjustments for investments included in the ES II Rate Mechanism, authorized electric and gas distribution base investments in projects that are not recoverable through the ES II Rate Mechanism ("Stipulated Base"), an annual baseline for electric and gas capital expenditures, and other provisions as described herein.

I. Program Term

19. The project work under this Program will commence on October 1, 2019, with all project work expected to conclude on or about December 31, 2023, except as provided herein. The Company may undertake Program non-construction expenditures, such as planning and engineering, upon Board approval of the Program.

20. The Company will have the option of seeking Board approval to extend the Program beyond the term provided above. Any such extension proposal shall be supported by the results of activities from the first three (3) years under this Program.

II. ES II Accelerated Rate Recovery Mechanism

21. The Signatories agree to include maximum subprogram investment levels for accelerated recovery up to the following, reflecting a 35% risk and contingency, without any inflation adjustments:

	<u>\$ Million</u>
A. Electric Energy Strong II Program	
• Electric Station Flood Mitigation	\$389
• Contingency Reconfiguration	\$145
• Grid Modernization, Communication System	\$72
• Grid Modernization, ADMS	<u>\$35</u>
<i>Electric ES II Total</i>	\$641
B. Gas Energy Strong II Program	
• M&R Station Upgrades	<u>\$50.5</u>
<i>Gas ES II Total</i>	\$50.5
Total ES II Accelerated Recovery	\$691.5

22. While investment funds may not be moved between the ES II electric and gas programs, funds may be reallocated among the electric subprograms. The Signatories recognize that the infrastructure initiatives covered under the ES II electric program will be of a significant scale and scope, and although the ES I programs were completed within budget, there are many variables associated with this type of work that make it difficult to precisely budget each subprogram project initiative. Accordingly, the Signatories agree that a process enabling the Company to make adjustments to subprogram budgets in response to real market and service conditions experienced is justified. The process shall be as follows: For reallocation among ES II electric subprograms in the cumulative amount five percent (5%) or less of the overall ES II

electric program investment set forth above, PSE&G shall be authorized to make adjustments on an immediate basis. PSE&G shall notify Board Staff and Rate Counsel of the changes within 30 days following the change. PSE&G shall not make reallocations among the ES II electric subprograms exceeding five percent (5%) of the ES II electric program investments without 15 days prior written and electronic notification to Board Staff (Director, Division of Energy or designee) and Rate Counsel providing them with the opportunity to object within that time period. If there is no objection by Board Staff or Rate Counsel within 15 days of receipt of the electronic notice, the Company may move forward with the change.

Electric Station Flood Mitigation

23. The Company will mitigate the 16 stations identified below. The cost estimates in paragraph 21 for the Electric Station Flood Mitigation projects include a 35% risk and contingency.

Flood Mitigation					
#	Station	Anticipated Method	#	Station	Anticipated Method
1	Academy Street	Raise	9	Meadow Road	Raise
2	Clay Street	Raise	10	Orange Valley	Raise
3	Constable Hook	Raise	11	Ridgefield 13kV	Raise
4	Hasbrouck Heights	Raise	12	Ridgefield 4kV	Eliminate
5	Kingsland	Raise	13	State Street	Raise
6	Lakeside Avenue	Raise	14	Toney's Brook	Raise
7	Leonia	Raise	15	Waverly	Raise
8	Market Street	Eliminate	16	Woodlynne	Raise

24. PSE&G may change the mitigation method for a station if it concludes that an alternative method would provide the same benefits to customers at a lower cost, or if permitting

or other circumstances make it impossible or inappropriate to use the method specified in the filing. Any change in the mitigation method for a station will not be made without 15 days prior written and electronic notification to Board Staff (Director, Division of Energy or designee) and Rate Counsel providing them with the opportunity to object within that time period. The notification will include detailed supporting information to support the Company's position that the proposed alternative will provide the same benefits to customers at a lower cost, or if permitting or other circumstances make it impossible or inappropriate to use the method specified in the filing. If there is no objection by Board Staff or Rate Counsel within 15 days of receipt of the electronic notice, the Company may move forward with the change.

25. If the Company determines the work on the 16 aforementioned substations identified in the flood mitigation subprogram can be completed under the \$389 million investment ceiling associated with substations, PSE&G may reallocate any funds to those stations identified in the life cycle station upgrade portion of the June 8, 2018 filing for accelerated recovery.

26. If the Company cannot complete its work on the 16 substations within the \$389 million clause recovery allotment, PSE&G may seek recovery of any excess amount in its next base rate case. Additionally, any prudently incurred costs for work on the 16 substations that exceed \$389 million will be credited toward the Company's baseline capital expenditure requirement provided in paragraph 35 of this Stipulation.

Contingency Reconfiguration

27. PSE&G will invest up to \$145 million to harden its electric distribution system and increase system resiliency by implementing contingency reconfiguration strategies, which were also

part of ES I. These strategies will increase the sections in present loop designs by utilizing reclosers, convert all existing two (2)-section overhead 13kV circuits to three (3)-section circuits by installing additional three (3)-phase reclosers, and install single phase recloser devices on branch lines that operate with only fuses.

Grid Modernization, Communication System

28. An investment of up to \$72 million will be made by the Company to install a private wireless communications network and eliminate the use of dedicated phone lines for remote communication for both PSE&G and customer equipment. The overall network will use wireless and fiber technology to provide coverage for all switching devices on the system to facilitate both system and customer equipment communication moving forward. The system will be private and encrypted to ensure the security of PSE&G's capability to monitor and control the distribution system.

Grid Modernization, ADMS

29. The Company will invest up to \$35 million to develop an Advanced Distribution Management System ("ADMS") that will incorporate data from Geographic Information System ("GIS") and SCADA, intelligent fault indicators, Smart Meters, and other advanced metering infrastructure ("AMI"). The system will replace the existing Outage Management System ("OMS").

Gas Metering & Regulating ("M&R") Station Upgrades

30. Up to \$50.5 million will be invested by the Company to rebuild/modernize the following gas M&R stations:

- Camden
- Central

- East Rutherford
- Mount Laurel
- Paramus
- Westampton

31. If the Company cannot complete its work on the six (6) M&R stations identified above within the \$50.5 million clause recovery allotment, PSE&G may seek recovery of any excess amount in its next base rate case. Additionally, any prudently incurred costs for work on the six (6) M&R stations that exceed \$50.5 million will be credited toward the Company's stipulated base requirement provided in paragraph 34 of this Stipulation. The cost estimates for the M&R Station Upgrade projects include a 35% risk and contingency.

32. Costs eligible for recovery under the ES II Rate Mechanism shall not exceed \$691.5 million, which excludes the cost associated with the Stipulated Base and Allowance for Funds Used During Construction ("AFUDC").

III. Capital Structure/Return on Equity

33. PSE&G's weighted average cost of capital ("WACC") for ES II will be set based on the WACC established in the Company's most recently approved base rate case. The current WACC based on the approved 2018 base rate case is 6.99%, or 6.48% on an after-tax basis based on current tax rates.

IV. Stipulated Base

34. The Company shall spend a total of \$150.5 million on certain capital projects during the Program term that will not be recovered through the ES II Rate Mechanism, but that will be considered Stipulated Base expenditure to be recovered in the Company's next base rate case as long as this investment is found to be prudent. Of that \$150.5 million, \$100 million will be spent at the Company's discretion toward electric outside plant higher design and construction standards ("outside plant") and/or electric life cycle subprograms identified in the June 8, 2018 ES II filing. The remaining \$50.5 million will be used to complete the six (6) gas M&R station upgrades specified above. If the completion of the six (6) M&R station upgrades requires less than the estimated \$50.5 million, the Company will have the option of achieving the \$50.5 million of Stipulated Base expenditure through additional gas M&R station upgrades. If the completion of the six (6) M&R station upgrades requires more than the estimated \$50.5 million of Stipulated Base expenditure, the excess can be counted toward the Company's baseline capital expenditure requirement as described in paragraph 35. The total \$150.5 million Stipulated Base expenditure shall be recoverable from base rates and not recoverable through the ES II Rate Mechanism. In total, the Company shall spend a maximum of \$842 million to complete the Program, with \$691.5 million within the ES II Rate Mechanism and \$150.5 million within Stipulated Base. All prudently incurred costs on ESII projects above \$842 million will count toward baseline capital expenditures as discussed in paragraph 35, below.

V. Baseline Capital Expenditure

35. During the term of the ES II Program, in addition to the Stipulated Base expenditures set forth in paragraph 34 above, the Company agrees to maintain an annual baseline capital expenditure level of at least \$223.6 million on electric investments, and at least \$155 million in gas investments. The capital investments made by the Company as part of its baseline capital expenditure requirements are within the discretion of the Company and may include, *inter alia*, additional life cycle station upgrades, additional outside plant, and/or other costs incurred by the Company in excess of the maximum spending levels provided under the ES II Rate Mechanism. Investments made by the Company to extend service to new customers will not be included as part of the annual baseline capital expenditures required pursuant to this paragraph. If the Company fails to maintain an annual baseline capital expenditure level of at least \$223.6 million for electric and \$155 million for gas capital investments in any year, the amount of investment eligible for recovery through the ES II Rate Mechanism for the subsequent year will be reduced by an amount equal to the difference between the electric and gas baselines and the actual annual electric and gas capital expenditures made by the Company. PSE&G may request and the Board may grant an exception from the requirements of this paragraph based on extraordinary circumstances, such as extreme weather, acts of war or terrorism, or other *force majeure* extraordinary circumstances.

VI. Cost Recovery

36. The Company may seek recovery through the ES II Rate Mechanism for the costs covered under Paragraph 21 via a rate adjustment request with schedules, procedures, and filings as detailed in subsequent paragraphs herein. Consistent with N.J.A.C. 14:3-2A.6(d), the

Company proposes to recover its costs associated with the ESII Rate Mechanism through a new component of its Electric and Gas tariff, the Infrastructure Investment Recovery Charge.

37. The Company anticipates it will make six (6) rate adjustments over the term of the Program in accordance with the schedule below. Consistent with the IIP, each rate adjustment made by the Company must include a minimum investment level of 10% of the total amount authorized to be recovered via the ES II Rate Mechanism. The Company must also meet the earnings test as specified in the IIP.

38. The Signatories agree that the review of the prudence of all projects undertaken in the Program will not take place prior to or in connection with the rate adjustments established herein. PSE&G therefore agrees that the rate adjustments established in the rate filing proceedings (assuming the 10% minimum threshold noted above has been met) scheduled herein shall be provisional and subject to refund based upon a Board finding that PSE&G imprudently incurred capital expenditures under the Program. Such prudence review shall take place in a future base rate case. Nothing herein will preclude any party from raising in the base rate case prudence review any objection that could have been raised in a prior IIP rate filing.

39. To effectuate the cost recovery process for the ES II Rate Mechanism investments, PSE&G shall proceed on the below schedule following public notice and public hearing, recognizing that the prudence of the investments will be determined in the base rate case following the placement of the investments into service. The effective dates for the adjustments may be revised by agreement of the Parties.

40. The proposed schedule for the Rates Effective, Initial Filing, Investment as of, and True-up Filing dates for all rate adjustments are listed below:

<u>Proposed ES II Rate Adjustment Schedule</u>				
Rate Adj.	Initial Filing no earlier than:	Investment as of:	Update for actual data by:	Rate Effective no earlier than:
1 ¹	November 1, 2020	January 31, 2021	February 21, 2021	May 1, 2021
2	November 1, 2021	January 31, 2022	February 21, 2022	May 1, 2022
3	May 1, 2022	July 31, 2022	August 21, 2022	November 1, 2022
4	November 1, 2022	January 31, 2023	February 21, 2023	May 1, 2023
5	May 1, 2023	July 31, 2023	August 21, 2023	November 1, 2023
6 ²	November 1, 2023	December 31, 2023	February 21, 2024	May 1, 2024

41. In the rate adjustment proceedings provided for above, the revenue requirement associated with the investments recovered through the ES II Rate Mechanism shall be calculated as summarized below:

ES II Rate Mechanism Costs - All capital expenditures recoverable through the ES II Rate Mechanism, including actual costs of engineering, design and construction, and property acquisition, including actual labor, materials, overhead, and capitalized AFUDC associated with the projects ("ES II Rate Mechanism Costs"), will be recovered through rate adjustments for each of the time periods described above. The ES II Rate Mechanism capital expenditures will be recorded, during construction, in an associated Construction Work In Progress ("CWIP") account or in a Plant in Service account upon the respective project being deemed used and useful. The Company will follow its current policies and practices with regard to capitalizing costs, including overheads.

Net Investment - Is equal to the ES II Rate Mechanism Investment Costs that have been placed into service less the associated accumulated depreciation less accumulated deferred income taxes.

¹ This date is only applicable if at least 10% of ES II Rate Mechanism investment is in-service.

² The final rate adjustment dates may vary due to the timing for the completion of Program work.

WACC – PSE&G shall earn a return on its net investment in the ES II based upon the authorized WACC including income tax effects decided by the Board in the Company's most recently approved base rate case.

The rate adjustments will be calculated using the following formula:

Revenue Requirement = ((ES II Rate Mechanism Rate Base * After Tax WACC) + Depreciation Expense (net of tax) + Tax Adjustments) * Revenue Factor

- i. ES II Rate Mechanism Rate Base – The ES II Rate Mechanism Rate Base will be calculated as Plant in Service, including CWIP transferred into service and associated AFUDC, less accumulated depreciation and less associated accumulated deferred income taxes. AFUDC will be calculated using the same methodology used for current distribution assets consistent with the Company's AFUDC policy, and as permitted by FERC Order 561, which includes compounding AFUDC on a semi-annual basis.
- ii. Depreciation Expense – Depreciation expense will be calculated as the ES II Rate Mechanism Investment Costs by asset class multiplied by the associated depreciation rate applied to the same asset in current base rates and then calculated net of tax.
- iii. Tax Adjustments - Includes the effects of any flow through items and any tax law changes codified by the Internal Revenue Service, the State of New Jersey or any other taxing authority.
- iv. Revenue Factor – The Revenue Factor adjusts the Revenue Requirement Net of Tax for federal and state income taxes and the costs associated with the Board and Rate Counsel Annual Assessments and Gas Revenue Uncollectibles. The then-current statutory state and federal income tax rates and the then-current Board/Rate Counsel Assessment rates will be utilized. The percentage used to calculate the uncollectible expense will be based upon the percentage determined in the Company's most recently approved base rate case.

Attached as Attachment A is a sample revenue requirement calculation based on the estimated revenue requirement for the first rate adjustment.

VII. Rate Design

42. The rate design for the rate adjustments agreed upon herein will be structured consistent with the rate design methodology used to set rates in the Company's most recently concluded base rate case. Specifically, the Company will utilize the corresponding billing determinants, including the weather normalized billing determinants approved in the most recent base rate case. To the extent the Company seeks to utilize more current weather normalized billing determinants for any future rate adjustment filings subsequent to the most recently approved base rate case, or to change the methodology used to weather normalize billing determinants, PSE&G shall provide those updated billing determinants and supporting data to Board Staff and Rate Counsel a minimum of 60 days prior to any ES II rate adjustment filing for review and approval.

VIII. Base Rate Case Filing Requirement

43. Consistent with the IIP and with the settlement agreement in the GSMP II case (Docket No. GR17070776), approved by the Board in an Order dated May 22, 2018, the Company will file a base rate case no later than December 31, 2023.

IX. Reporting Requirements and Performance Metrics

44. Minimum Filing Requirements ("MFRs") - Each rate change filing will be accompanied by the MFRs that are set forth in Attachment B hereto.

45. PSE&G will provide quarterly reports on the ES II program to Board Staff and Rate Counsel ("Quarterly Report") setting forth the following for each of the electric and gas ES II programs:

- The estimated quantity of work and the quantity completed to date or, if the project cannot be quantified with numbers, the major tasks completed,

e.g., design phase, material procurement, permit gathering, phases of construction;

- The forecasted and actual ES II costs-to-date for the quarterly reporting period and for the program-to-date; where projects are identified by major category (with the actual variances from forecasted amounts expressed in dollar and percentage terms);
- The estimated ES II project completion date, and estimated completion dates for each ESII sub-program and the Program as a whole;
- Anticipated changes to ES II projects, if any;
- Actual capital expenditures made in the normal course of business on similar projects, identified by comparable ESII sub-program; and
- Any other performance metrics concerning the IIP required by the Board.

The project expenditures shall be broken out between material and other costs. This reporting will begin two (2) months after the end of the first full calendar quarter following the issuance of a written Board Order authorizing the ES II Program and continue through the completion of the construction phase.

46. For the ES II electric Program, PSE&G will report to Board Staff and Rate Counsel, on a quarterly basis, SAIDI results for Major Event performance (where "Major Event" is defined as per paragraph (1) of the definition of Major Event in N.J.A.C. 14:5-1) at the circuit level (redacted and confidential unredacted) for all circuits improved by ES II and affected by a Major Event and at the operating area level and system wide. The SAIDI results will be reported and measured against a baseline that reflects performance for each circuit under Major Event conditions for the prior five years from the program start date. The report will include the SAIDI results at the circuit level for the report quarter.

47. Circuit-level data will be provided for circuits in which ES II electric investments were made under the Contingency Reconfiguration Subprogram as detailed herein. Additionally, PSE&G will report quarterly to Board Staff and Rate Counsel for all circuits improved by ES II

on non-Major Event performance (where a non-Major Event excludes all “Major Events” as defined at N.J.A.C. 14:5-1.2.) including circuit designation (information to be provided redacted and confidential unredacted), that reflects non-Major Event conditions for the prior quarters, on an annual basis per the current reporting to the Board pursuant to the Board’s Energy Strong Order. The Company will also report quarterly non-Major Event CAIDI, SAIFI, SAIDI and MAIFI for all circuits improved by ES II. This material, which will be provided together in a single submission to Board Staff and Rate Counsel, will begin two (2) months after the end of the first full calendar quarter following the issuance of a written Board Order authorizing the ES II Program, and continue through the review of the prudence of the ES II investments. The performance of the Contingency Reconfiguration Subprogram will be reported and measured against a baseline that reflects performance for each circuit under non-Major Event conditions for the prior five years from the program start date.

48. PSE&G, following consultation with Board Staff and Rate Counsel, will retain an independent monitor to review and report to Board Staff and Rate Counsel on the impact of the ES II program on overall system performance during severe weather events; cost effectiveness and efficiency; appropriate cost assignment; and other information deemed appropriate by the Company, Board Staff and Rate Counsel. The independent monitor shall continue until one (1) quarter following the completion of the ES II investments unless the Company, Board Staff and Rate Counsel agree that the services of the independent monitor should continue. Independent monitor expenses shall be capitalized to the extent consistent with Generally Accepted Accounting Principles (“GAAP”) and shall be included as part of the ES II Rate Mechanism

Costs and counted against the maximum investment levels for accelerated recovery set forth in paragraph 21 of this Stipulation and Agreement of Settlement.

49. The reporting requirements and metrics set forth herein will allow the Board to review the performance of the investments:

- Electric Stations and Gas M&R Stations. Any station with flood mitigation work completed should not go out of service due to water intrusion from flooding or storm surge within the applicable FEMA Advisory Base Flood Elevation that the station is designed to withstand.
- Contingency Reconfiguration Strategies. Storm Circuit SAIDI savings (customers outages and customer minutes saved due to increased sectionalization) will be measured for all Major Events.
- Grid Modernization ADMS. System SAIDI savings (customers outages and customer minutes saved) will be measured for all Major Events and non-Major Events once the system is implemented.

These metrics shall be reported quarterly and following any Major Event as defined in paragraphs 46 and 47 above. This reporting will begin two (2) months after the end of the first full calendar quarter following the issuance of a written Board Order authorizing the ES II Program and continue through review of the prudence of the ES II investments. The performance of these subprograms will be reported and measured against a baseline that reflects performance for each circuit under both Major Event and non- Major Event conditions for the prior five (5) years to the program start date.

FURTHER PROVISIONS

50. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation

and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board in any applicable Order(s), then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

51. It is the intent of the Signatories that the provisions herein be approved by the Board as being in the public interest. The Signatories further agree that they consider the Stipulation to be binding on them for all purposes herein.


52. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, Public Service, Board Staff, Rate Counsel and all other Signatories shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein, in total or by specific item. The Signatories further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

53. The Signatories further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

WHEREFORE, the Signatories hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

PUBLIC SERVICE ELECTRIC AND GAS
COMPANY

NEW JERSEY DIVISION OF
RATE COUNSEL,

BY: 

Joseph F. Accardo Jr., Esq.
VP Regulatory & Deputy General Counsel


BY: _____
Stefanie A. Brand, Esq.
Director

DATED: August 8, 2019

DATED: _____

GURBIR S. GREWAL, ESQ.
OF NEW JERSEY
for the Staff of the Board of Public
Utilities

New Jersey Large Energy Users Coalition

BY: 

Emma Yao Xiao, Esq.
Deputy Attorney General

BY: _____
Steven S. Goldenberg, Esq.,
Giordano, Halleran & Ciesla, P.A., and
Paul F. Forshay, Esq., Eversheds-
Sutherland, LLP

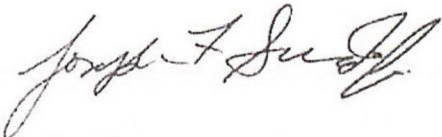
DATED: 8/22/19

DATED: _____

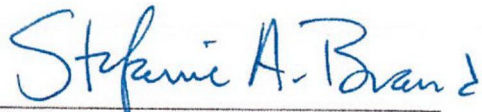
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PUBLIC SERVICE ELECTRIC AND GAS
COMPANY

NEW JERSEY DIVISION OF
RATE COUNSEL,

BY: 

Joseph F. Accardo Jr., Esq.
VP Regulatory & Deputy General Counsel

BY: 

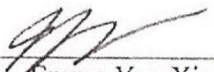
Stefanie A. Brand, Esq.
Director

DATED: August 8, 2019

DATED: 8/23/19

GURBIR S. GREWAL, ESQ.
OF NEW JERSEY
for the Staff of the Board of Public
Utilities

New Jersey Large Energy Users Coalition

BY: 

Emma Yao Xiao, Esq.
Deputy Attorney General

BY: _____
Steven S. Goldenberg, Esq.,
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Sutherland, LLP

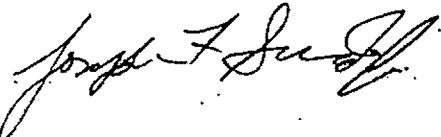
DATED: 8/22/19

DATED: _____

WHEREFORE, the Signatories hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

PUBLIC SERVICE ELECTRIC AND GAS
COMPANY

NEW JERSEY DIVISION OF
RATE COUNSEL,

BY: 
Joseph F. Accardo Jr., Esq.
VP Regulatory & Deputy General Counsel

BY: _____
Stefanie A. Brand, Esq.
Director

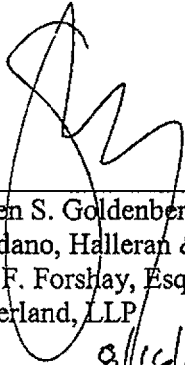
DATED: August 8, 2019

DATED: _____

GURBIR S. GREWAL, ESQ.
OF NEW JERSEY
for the Staff of the Board of Public
Utilities

New Jersey Large Energy Users Coalition

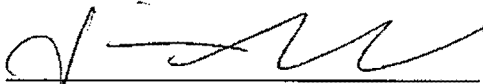
BY: _____
Emma Yao Xiao, Esq.
Deputy Attorney General

BY: 
Steven S. Goldenberg, Esq.,
Giordano, Halleran & Ciesla, P.A., and
Paul F. Forshay, Esq., Eversheds-
Sutherland, LLP

DATED: _____

DATED: 8/18/19

AARP, Inc.

BY: 

Janine G. Bauer, Esq.
Szaferman, Lakind, Blumstein, & Blader, P.C.

DATED: Aug. 14, 2019

**PSE&G Energy Strong II
Sample Electric Roll-in
Roll-in Filing**

in (\$000)

Rate Effective Date	5/1/2021
Plant In Service as of Date	1/31/2021
Rate Base Balance as of Date	4/30/2021

RATE BASE CALCULATION

	<u>Total</u>	Notes
1 Gross Plant	\$158,219	= ln 16
2 Accumulated Depreciation	\$8,844	= ln 19
3 Net Plant	\$167,063	= ln 1 + ln 2
4 Accumulated Deferred Taxes	-\$4,906	= See "Dep-" Wkps Row 616
5 Rate Base	\$162,157	= ln 3 + ln 4
6 Rate of Return - After Tax (Schedule WACC)	6.48%	See Schedule SS-ESII-3
7 Return Requirement (After Tax)	\$10,511	= ln 5 * ln 6
8 Depreciation Exp, net	\$3,957	= ln 25
9 Tax Adjustment	-\$73	
10 Revenue Factor	1.3944	See Schedule SS-ESII-4
11 <u>Roll-in Revenue Requirement</u>	<u>\$20,072</u>	= (ln 7 + ln 8 + ln 9) * ln 10

SUPPORT

Gross Plant

12 Plant in-service	\$57,310	= See "Dep-" Wkps Row 594
13 CWIP Transferred into Service	\$97,420	= See "Dep-" Wkps Row 595
14 AFUDC on CWIP Transferred Into Service - Debt	\$984	= See "Dep-" Wkps Row 596
15 AFUDC on CWIP Transferred Into Service - Equity	\$2,505	= See "Dep-" Wkps Row 597
16 Total Gross Plant	\$158,219	= ln 12 + ln 13 + ln 14 + ln 15

Accumulated Depreciation

17 Accumulated Depreciation	-\$3,193	= See "Dep-" Wkps Row 603
18 Cost of Removal	\$12,037	= See "Dep-" Wkps Row 598
19 Net Accumulated Depreciation	\$8,844	= ln 17 + ln 18

Depreciation Expense (Net of Tax)

20 Depreciable Plant (xAFUDC-E)	\$155,714	= ln 12 + ln 13 + ln 14
21 AFUDC-E	\$2,505	= ln 15
22 Depreciation Rate	3.47%	= See "Dep-" Wkps Row 598
23 Depreciation Expense	\$5,484	= (ln 20 + ln 21) * ln 22
24 Tax @ 28.11%	\$1,527	= ln 20 * ln 22 * Tax Rate
25 Depreciation Expense (Net of Tax)	\$3,957	= ln 23 - ln 24

**PSE&G Energy Strong II
Sample Gas Roll-in
Roll-in Filing**

in (\$000)

Rate Effective Date	11/1/2022
Plant In Service as of Date	7/31/2022
Rate Base Balance as of Date	10/31/2022

RATE BASE CALCULATION

	<u>Total</u>	Notes
1 Gross Plant	\$14,831	= In 16
2 Accumulated Depreciation	\$756	= In 19
3 Net Plant	<u>\$15,588</u>	= In 1 + In 2
4 Accumulated Deferred Taxes	-\$317	= See "Dep-" Wkps Row 616
5 Rate Base	<u>\$15,271</u>	= In 3 + In 4
6 Rate of Return - After Tax (Schedule WACC)	6.48%	See Schedule SS-ESII-3
7 Return Requirement (After Tax)	\$990	= In 5 * In 6
8 Depreciation Exp, net	\$96	= In 25
9 Tax Adjustment	\$0	N/A
10 Revenue Factor	<u>1.4172</u>	See Schedule SS-ESII-4
11 <u>Roll-in Revenue Requirement</u>	<u>\$1,539</u>	= (In 7 + In 8 + In 9) * In 10

SUPPORT

Gross Plant

12 Plant in-service	\$0	= See "Dep-" Wkps Row 594
13 CWIP Transferred into Service	\$14,492	= See "Dep-" Wkps Row 595
14 AFUDC on CWIP Transferred Into Service - Debt	\$340	= See "Dep-" Wkps Row 596
15 AFUDC on CWIP Transferred Into Service - Equity	<u>\$0</u>	= See "Dep-" Wkps Row 597
16 Total Gross Plant	\$14,831	= In 12 + In 13 + In 14 + In 15

Accumulated Depreciation

17 Accumulated Depreciation	-\$44	= See "Dep-" Wkps Row 603
18 Cost of Removal	<u>\$800</u>	= See "Dep-" Wkps Row 598
19 Net Accumulated Depreciation	\$756	= In 17 + In 18

Depreciation Expense (Net of Tax)

20 Depreciable Plant (xAFUDC-E)	\$14,831	= In 12 + In 13 + In 14
21 AFUDC-E	<u>\$0</u>	= In 15
22 Depreciation Rate	1.01%	= See "Dep-" Wkps Row 598
23 Depreciation Expense	\$150	= (In 20 + In 21) * In 22
24 Tax @ 28.11%	<u>\$53</u>	= In 20 * In 22 * Tax Rate
25 Depreciation Expense (Net of Tax)	\$96.4	= In 23 - In 24

ATTACHMENT B

MINIMUM FILING REQUIREMENTS

- 1) PSE&G's income statement for the most recent 12 month period prepared using the same Federal Energy Regulatory Commission ("FERC") reporting and accounting conventions that are reflected in the Company's Annual Report to the Board.
- 2) PSE&G's balance sheet for the most recent 12 month period, as filed with the Board prepared using the same FERC reporting and accounting conventions that are reflected in the Company's Annual Report to the Board.
- 3) PSE&G's capital spending for each of the past five (5) years, broken down by major categories (e.g., system reinforcement, replace facilities, environmental/regulatory, and support facilities).
- 4) PSE&G's overall approved ES II capital budget broken down by major categories, both budgeted and actual amounts.
- 5) For each ES II Program subprogram:
 - a. The original project summary for each ES II sub-program,
 - b. Expenditures incurred to date for each sub-program,
 - i. The cost of removal and
 - ii. The amount of allocated overhead.
 - c. Appropriate metric (e.g., reclosers installed), and
 - d. Work completed, including identified tasks completed (e.g., design phase, material procurement, permit gathering, phases of construction)
- 6) Anticipated sub-program timeline with updates and expected changes.
- 7) A calculation of the proposed rate adjustment based on details related to ES II Program projects included in Plant in Service, including a calculation of the associated depreciation expense, based on those projects closed to Plant in Service during the period.
- 8) A list of any and all funds or credits received from the United States government, the

State of New Jersey, a county or a municipality, for work related to any of the ES II Program projects, such as relocation, reimbursement, or stimulus money. An explanation of the financial treatment associated with the receipt of the government funds or credits.

- 9) A revenue requirement calculation showing the actual capital expenditures for the period for which the filing is made, as well as supporting calculations.
- 10) An earnings test calculation demonstrating that the calculated ROE does not exceed the Company's allowed ROE from the latest base rate case by 50-basis points or more. The Company should divide the actual net income of the utility for the most recent 12-month period filed with the Board or FERC by the average of the beginning and ending common equity balances for the corresponding period, subject to adjustments. Common equity will be as reflected on the Company's FERC financial statements, adjusted to reflect only the electric and gas distribution allocation. The Company should provide nine (9) months actual data and three (3) months forecasted data at the time of each Initial Filing. The three (3) months of forecasted data should be updated with actuals at the same time the Company provides the Actuals Update for Investments.